

Message Text

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62

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 DODE-00 INR-07 NSAE-00

PA-01 USIA-06 PRS-01 SP-02 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 /058 W

----- 130132

R 222145Z DEC 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 2355

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

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PASS ROCAP

E.O. 11652: N/A

TAGS: ECON, ETRD, CS

SUBJECT: ALTERNATIVE BALANCE OF PAYMENTS PACKAGE

REF: SAN JOSE 5336

1. OVER THE WEEKEND, A SERIES OF STORIES APPEARED
IN THE LOCAL PRESS STATING THAT COSTA RICA WILL NOT
IMPOSE FOREIGN EXCHANGE SURCHARGES AND INSTEAD, WILL
RESORT TO A SERIES OF TAX MEASURES PLUS INCREASED
AUSTERITY IN GOVERNMENT EXPENDITURES AND SALARIES,
PLUS A SERIES OF OTHER MEASURES TO IMPROVE THE BALANCE OF PAYMENTS.
THE EARLIER STORIES QUOTED SOURCES IN THE OFFICE OF THE
PRESIDENT AND LATER STORIES IDENTIFIED FERNANDO NARANJO,
DIRECTOR GENERAL DE COORDINACION DE LA PRESIDENCIA, AS
CONFIRMING THE CONTENT OF THE EARLIER STORIES.

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2. THE TAX PACKAGE PROPOSED BY THE MINISTRY OF THE PRESIDENCY, WHICH WOULD YIELD AN ESTIMATED 200 MILLION COLONES PER YEAR, WOULD INCLUDE THE FOLLOWING:

1. AN INCREASE IN INCOME TAX RATES FOR HIGHER INCOME PERSONS AND CORPORATIONS;
2. AN INCREASE IN FAMILY DEDUCTIONS TO HELP LOW INCOME PERSONS;
3. TAXES ON THE DIVIDENDS OF CORPORATIONS WITH BEARER SHARES;
4. DOUBLING THE TAXES FROM 20 PERCENT TO 40 PERCENT ON REMITTANCES ABROAD OF DIVIDENDS AND ROYALTIES AND ON CONSULTANT FEES;
5. A TAX OF 3 PERCENT ON REAL ESTATE TRANSACTIONS, EXCEPT FOR TRANSACTIONS OF LESS THAN 50,000 COLONES.

3. THE GOVERNMENT AUSTERITY PROGRAM PROPOSED BY THE MINISTER OF THE PRESIDENCIA WOULD INCLUDE THE NON-EXPENDITURE OF FROM 150 MILLION TO 200 MILLION COLONES ALREADY IN THE BUDGET WHICH WOULD REPRESENT A DECREASE OF 7 PERCENT IN 1976 BUDGET. AUTONOMOUS INSTITUTES WOULD BE ASKED TO MAKE SIMILAR REDUCTIONS. SALARY INCREASES, WHICH IN COSTA RICA ARE DECREED BY THE GOVERNMENT FOR MANY DIFFERENT ORGANIZATIONS, WOULD BE HELD TO THE INDESPENSABLE MINIMUM.

TODMAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TAXES, GOVERNMENT REVENUES, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO05346
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750444-0784
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751219/aaaaaqbw.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 SAN JOSE 5336
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by BoyleJA>; APPROVED <12 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALTERNATIVE BALANCE OF PAYMENTS PACKAGE
TAGS: ECON, ETRD, CS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006